

INVESTOR'S BUSINESS DAILY®

MATT KRANTZ | 08:00 AM ET 04/06/2020

Worries are piling up on investors' minds: a pandemic, elections, the Fed, trade war and the coronavirus stock market crash. But while others panic, **Alan Ahmatovic** of **Apriem Advisors** sees opportunity.



Coronavirus Stock Market Crash Means Three Opportunities For This Advisor | Investor's Business Daily

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"There will likely be a lot more volatility than investors are used to ... but, if anything, that will just create good buying opportunities for us," said **Ahmatovic**, a financial analyst at the more than \$700 million-in-assets firm based in Irvine, Calif. "There's currently a lot of fear and emotion in markets, which typically leads to excessive volatility. We're ready for that ... and also to take advantage of it."

To **Ahmatovic**, it's important to stay focused on the fundamentals. Analysts are scrambling to estimate what the spread of coronavirus will mean for economic growth and corporate profits.

Profit for S&P 500 companies in the first quarter is now seen falling 5.2%, says FactSet. It was projected to grow around 5% prior to the outbreak knocking estimates sharply down.

"It's tough to predict the impact of the virus ... it's important to note the economy was sitting in a very strong position before the breakout. Knowing this, we don't expect the coronavirus to push our economy into a deep recession. We could suffer impacts over the next few quarters," he said.

Ahmatovic is looking at ETFs to find ways to ride the volatility.

Go For Quality Amid Coronavirus Stock Market Crash

What do you do when you're bullish on stocks, but recognize the economy and market are past the late stages of the cycle? It's time to be both "slightly more defensive and more opportunistic," **Ahmatovic** said. Pulling off that feat is what **Ahmatovic** likes about VanEck Vectors Morningstar Wide Moat ETF (MOAT).

The ETF owns the 40 to 50 most undervalued companies in the Morningstar Wide Moat Index. These companies have business models protected by a castle-like moat. A business with a moat holds durable sustainable competitive advantages. Patents, for instance, might ward off competition. High costs for customers to switch to a competitor also act like a moat.

Top holdings in the \$3 billion-in-assets ETF include ServiceNow (NOW), Biogen (BIIB) and Gilead Sciences (GILD). ServiceNow is a classic company with a moat. The company helps companies run their tech departments. Once ServiceNow lands a contract, customers stay loyal. "We assign a wide moat rating to ServiceNow, driven by high customer switching costs," writes Dan Romanoff, Morningstar analyst, in a report.

The ETF returned 35% last year. But it is down 23% year to date through April 1, and faded 0.6% the past week. It charges 0.49% of assets a year in expenses.

Stick With The U.S.

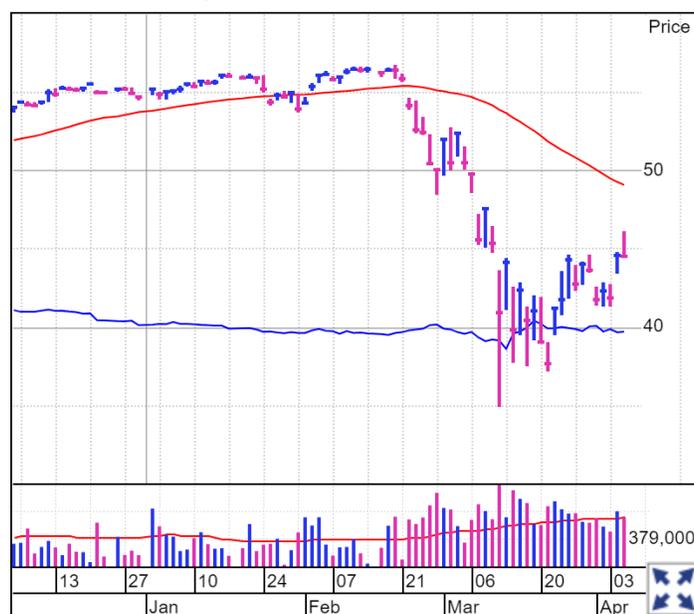
The U.S. is still the place to be, **Ahmatovic** says. And the U.S. economy offers the highest quality and most diversified growth. The U.S. economy grew 2.3% in the fourth quarter, well above the 1.1% economic growth in the U.K. and 1% growth in the eurozone.

By heading into 2020 strong, the U.S. economy is in a better position to withstand the hit from the coronavirus. The U.S. economy may shrink 0.5% in the first quarter, says Action Economics. And it might contract another 7% in the second quarter.

Tying into the U.S.-centric theme is the Schwab U.S. Large-Cap ETF (SCHX). Think of it as a low-cost option for holding stocks akin to what you'd find in an S&P 500 index fund like SPDR S&P 500 Trust (SPY). The \$19 billion-in-assets ETF holds more than 700 stocks. It reaches further down the universe of U.S. stocks to include midsize stocks, too.

Vaneck Vect Mstar Wide (MOAT)

44.62 0.03 ↓ 0.1%



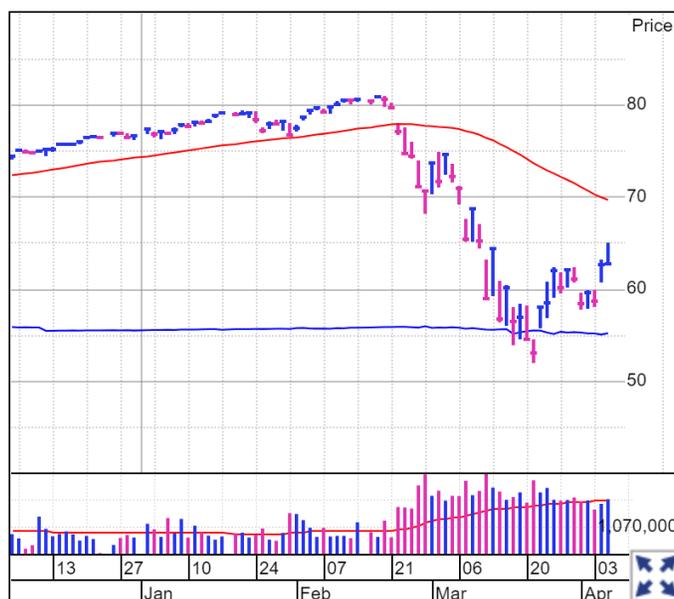
04/07/2020 (Market Close)

The weighted average market value of stocks in the portfolio is \$288 billion, or 7% lower than what you'd find in a straight S&P 500 ETF. And the Schwab U.S. Large-Cap ETF charges just 0.03% a year. **Ahmatovic** likes the fact that S&P 500 companies, typically, get about 40% of revenue outside the U.S. So, this ETF will participate if there is a pickup in growth internationally.

The fund returned 31% last year, is down 24% YTD and fell another 0.2% the past week through April 1.

Schwab Us Large Cap (SCHX)

62.90 0.07 ↑ 0.1%



04/07/2020 (Market Close)

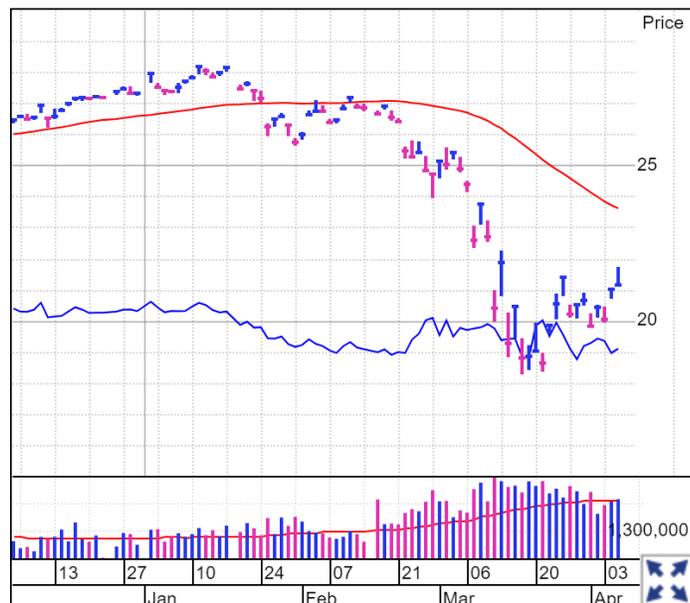
Tap Emerging Markets In Coronavirus Stock Market Crash

Shares of companies based in less developed countries have disappointed and have been hit harder by the coronavirus relative to the U.S. But **Ahmatovic** sees opportunity for patient investors.

The IFA Emerging Markets Index gained just an average annual 5.3% the past five years. That's half the 11.7% average return of the IFA U.S. Large Company Index. That presents an opening in a stock market correction, **Ahmatovic** says, for owning an ETF like Schwab Emerging Markets Equity ETF (SCHE).

Schwab Emerging Markets (SCHE)

21.19 0.12 ↑ 0.6%



04/07/2020 (Market Close)

For an expense ratio of just 0.11%, investors pick up exposure to more than 1,300 companies in up-and-coming economies. The \$6 billion-in-assets ETF puts more than a third of its portfolio in China and Hong Kong, 13% in Taiwan and 11% in India. The ETF is down 27% this year through April 1 after returning 20% last year. **Ahmatovic** is especially bullish on opportunities in China and India. China accounts for 6% of the fund's holdings. "Markets in China and India have been beaten up a lot, especially because of the coronavirus and global trade war over the past year or so," he said. "And we think that they're pretty undervalued right now."

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